



COUNTY OF LOS ANGELES

CHIEF INFORMATION OFFICE

500 WEST TEMPLE STREET
493 HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012

JON W. FULLINWIDER
CHIEF INFORMATION OFFICER

TELEPHONE: (213) 974-2008
FACSIMILE: (213) 633-4733

August 22, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Don Knabe, Chair Pro Tem
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: Jon W. Fullinwider
Chief Information Officer

Subject: **HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT
(HIPAA) TASK FORCE — TCS STATUS AS OF AUGUST 22, 2003**

During your meeting of June 19, 2001, your Board directed the Chief Administrative Officer and the Chief Information Officer to report on Health Insurance Portability and Accountability Act of 1996 (HIPAA) initiatives undertaken by the County. The HIPAA consists of four primary Rules -- Privacy, Transactions and Code Sets (TCS), Security and Enforcement. The Privacy Rule became effective on April 14, 2003 and TCS becomes effective on October 16, 2003. While we will continue to provide quarterly reports, the TCS compliance deadline is rapidly approaching. In light of this key milestone and the large commitment required by the affected departments to ensure compliance, we will provide the Board with monthly updates on the progress being made to comply with this requirement.

The County of Los Angeles is a hybrid entity under the HIPAA Privacy rules. Designation as a hybrid entity limits the administrative and operational impact of HIPAA to those portions of the County, known as the Healthcare Component, that provide healthcare services or administer a health plan and perform any of the HIPAA-covered transactions electronically. The Healthcare Component of the County includes the Department of Health Services (DHS), including its Office of Managed Care (OMC); the Department of Mental Health (DMH); and the Kirby Center within the Department of Probation. Probation's HIPAA TCS-related issues are relatively minor since DMH executes the one HIPAA transaction used by the Kirby Center on Probation's behalf.

Electronic Transactions and Code Sets

DHS TCS compliance consists of three (3) separate lines of business: Hospitals and Clinics, Public Health and the Office of Managed Care (OMC).

DHS' Hospitals and clinics process the vast majority of their transactions through a clearinghouse and they have been able to conduct some tests with trading partners for some of the transactions. The State has communicated their intention to be HIPAA compliant for Medi-Cal inpatient claims in the October-November timeframe, however, they have not firmly committed to be compliant by October 16th. DHS is ready to test and is awaiting notification from the State that testing can begin.

Of the three (3) business lines, Public Health is the lowest risk area from the point of view of percentage of revenue and level of complexity. Public Health is using a combination of an existing clearinghouse relationship and a small amount of custom programming to achieve HIPAA TCS compliance. The one serious constraint they face in achieving HIPAA TCS compliance is that the State is, for nearly all involved Public Health organizations, their only trading partner. Public Health cannot finalize their HIPAA TCS compliance preparations because the State is not ready to test HIPAA compliant transactions with most of these programs. Public Health does not anticipate compliance problems because they are working with an experienced clearinghouse for most of their transactions. However, until the State is ready to test and exchange HIPAA compliant transactions there can be no clear validation of Public Health's readiness.

As a health plan, OMC is required to have the capability to process the entire suite of HIPAA specified transactions, including some they have never used in the past. OMC and DHS hospitals recently received an interpretation of the TCS rules that requires a Health Care Encounter (Inbound) transaction now sent to OMC from the hospitals as a simple flat data file to be transmitted as a HIPAA-compliant transaction. Analysis of the impact of this change is in process, but expanded use of clearinghouse resources is expected to be part of the solution.

OMC is also investigating if they may be required to accept an inbound Premium Payment Order/Remittance Advice transaction and produce its corresponding outbound transaction. A legal opinion will likely be required before the technical/programmatic response can be identified. It should be noted that this is a low-volume transaction with several options available for achieving compliance.

DMH, with the assistance of its contractor, Sierra Systems, Inc, began TCS testing prior to the April 16, 2003, milestone date and continues to remain on track in implementing its TCS compliance tasks. DMH has received the State's assurance that they will continue to accept DMH's transactions in its current format until the State can process compliant

transactions. Some of DMH's local trading partners are also having difficulties implementing the TCS provisions by October. Internally, the DMH project remains on schedule and DMH is effectively managing the identified risks.

The Interim Enforcement Rule

As presented in the previous report, the Centers for Medicare and Medicaid Services (CMS) has issued guidance stating that they will "focus on obtaining voluntary compliance and use a complaint-driven approach" to enforcement of the TCS rules. CMS will notify an organization in writing when they receive a complaint and will provide that organization with the opportunity to:

- 1) Demonstrate compliance,
- 2) Document its good faith efforts to comply with the standards, or
- 3) Submit a corrective action plan.

CMS states that they recognize that transactions often require the participation of two covered entities and that non-compliance by one covered entity may put the second covered entity in a difficult position. "Therefore, during the period immediately following the compliance date, CMS intends to look at both covered entities' good faith efforts to come into compliance with the standards in determining, on a case-by-case basis, whether reasonable cause for the non-compliance exists and, if so, the extent to which the time for curing the non-compliance should be extended."

The guidelines above are very important for the County because the State of California is by far the largest and most important trading partner for HIPAA transactions for both DHS and DMH. Neither DHS nor DMH can complete their HIPAA testing and execute compliant transactions in advance of the State. A team of representatives from my office, the Healthcare Component departments, and County Counsel met with representatives from the State of California Office of HIPAA Implementation (CalOHI) on April 4, 2003. On June 13, 2003 DHS staff met with the same group to review the State's HIPAA TCS plans for Medi-Cal inpatient claims, timetable, testing, etc. CalOHI representatives confirmed, consistent with information published in the Medi-Cal Update, the Medi-Cal web site (www.medi-cal.ca.gov), and in provider bulletins, that the State will not meet all of its HIPAA TCS compliance obligations by October 16, 2003.

The County has been in continuing dialogue with their corresponding State agencies with regard to how and when to conduct testing and how to conduct business after October 16, 2003. The County is preparing to submit a Statement of Understanding to the State to formally capture the County's approach for meeting HIPAA TCS compliance and continuing operations in light of the State's readiness issues.

It should be noted, that while the State may not be fully compliant by October 16, 2003, they have indicated that their lack of readiness will not impact the ability of the County to

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continue to process transactions in the pre-HIPAA compliant format until such time as we can mutually test and they become fully compliant.

The next HIPAA TCS Status Report to the Board will be submitted on September 26, 2003. If you have questions or require additional information, please contact me at (213) 974-2008.

JWF:GD:jsl

Attachments

c: David E. Janssen, Chief Administrative Officer
Thomas Garthwaite, Department of Health Services
Fred Leaf, Department of Health Services
Marvin Southard, Department of Mental Health
Executive Officer, Board of Supervisors
County Counsel

Summary HIPAA Transactions and Code Sets Status

Organization	Transactions	Compliance Strategy	Verified that the Correct Data is Captured	Verified Data Extract with Clearinghouse or Trading Partner	County Complete & Ready To Test	State & Trading Partners Readiness To Test	Testing Complete (9/30/03)	Training (10/7/03)	In Production Use (10/16/03)	Comments
DHS Hospitals and Associated Clinics	Health Care Claim (837) Outbound	Outsource to Clearinghouse (HMS)								Testing with Medicare (UGS). Medi-Cal plans to be compliant for inpatient claims in October/November 2003, but non-compliant for outpatient CBRC and ER claims; testing is planned for late summer 2003. LA County has been selected as a test site for submission of the 837 transactions; testing is planned for late summer 2003. State DHS has indicated providers will have the option of continuing to submit UB92 claims or an 837 with local codes. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
	Remittance Advice (835)	Outsource to Clearinghouse (HMS)								Testing with Medicare (UGS). Medi-Cal plans to be compliant for inpatient Medi-Cal remittance advice transactions in October/November 2003; LA County has been selected as a test site for submission of the 835 transactions; testing is planned for late summer 2003. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
	Eligibility Inquiry & Response (270/271)	QuadraMed Affinity/Provider Advantage 270/271								Testing with Medicare (UGS). The State has indicated that the Point-of-Service (POS) system will not be HIPAA compliant on 10/16/03; current POS system will remain in production on and after 10/16/03. DHS may also log on directly to the State LEADER and MEDS systems to obtain Medi-Cal eligibility information. In the interim, DHS has purchased QuadraMed's Affinity 270/271 Tool Set and Provider Advantage system. These two systems will be in production use before the State 270/271 is made available to providers. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
DHS Public Health Clinics	Health Care Claim (837) Outbound	Outsource to Clearinghouse (HMS)								State DHS (the only test partner) has indicated that Medi-Cal will not be compliant for outpatient claims by 10/16/03. Accordis (the County DHS clearinghouse vendor) reports that State DHS will instruct providers and clearinghouses to continue submitting claims in some hybrid format after 10/16/03 to ensure that providers are not affected by the State's lack of readiness. LA County has been selected as a test site for submission of the ANSI 837 transactions; testing is expected to begin in a few weeks. Vendor has stated that at least one of the public health clinics will be included in the testing. Vendor is expecting that the State will require the submission of ANSI 837 transaction using non-compliant codes; vendor is moving forward with PHC data to complete the TCS implementation. Vendor has stated they are Claredi certified for all LAC claims (including PHC's Medi-Cal outpatient claims), however, Claredi does not provide certification for specific providers for whom Accordis submits test transactions.DHS will continue to process transactions in pre-HIPAA format.
	Remittance Advice (835)	Paper								No change to existing process.

Risk of Non-Compliance

LOW

MODERATE

HIGH

Summary HIPAA Transactions and Code Sets Status

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DHS Alcohol and Drug Programs Administration	Health Care Claim (837) Outbound	Custom coded front-end upgrade to capture the HIPAA data elements. Accordis, a clearinghouse, will process the actual transaction.								State DHS is the only test partner and has indicated that Medi-Cal will not be compliant for outpatient claims by 10/16/03. ADPA has received the final version of the TCS Service Code Crosswalk from State ADP. ADPA will generate and forward to Accordis the revised data that incorporates final codes for State testing by 8/20/03. State has indicated they will be ready to test during the first two weeks of September 2003. Clearinghouse still waiting for State ADP to identify ADPA fiscal intermediary and additional submission requirements and to determine additional State required fields and data elements. DHS will continue to process transactions in pre-HIPAA format.
	Health Care Claim (837) Inbound	Paper								No change to existing process.
	Remittance Advice Outbound (835)	Paper								No change to existing process.
	Remittance Advice Inbound (835)	Paper								No change to existing process (although the State is considering some changes in the future, after October 16, 2003).

Risk of Non-Compliance

LOW

MODERATE

HIGH

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DHS Office of Managed Care (OMC)	Health Care Claim (837) Inbound	Vendor (HMS) modifying PMS to accept HIPAA compliant claim transactions from their out-of-plan providers.								HMS expects to be ready for Claredi testing 9/9/03 and is actively making arrangements for trading partner testing, but dates have not been finalized. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
	Health Care Encounter (837) Inbound	Translator will be acquired to handle this transaction; Using clearinghouse (DDD) to translate incoming proprietary format to HIPAA compliant format (837 encounter) to feed the OMC Data Warehouse								Sending a HIPAA compliant encounter record to OMC involves changed reporting procedures for DHS hospitals and may involve capturing additional data. On June 25, 2003 it was determined that DHS hospitals must send the 837 Institutional (837I) transaction to OMC, but the need for the 837 Professional (837P) transaction is being investigated. DHS hospitals do not now send data equivalent to the 837P and, if that is necessary, it cannot be accomplished by October 16, 2003. Since no equivalent data is being sent now, the 837P simply would not be sent until it can be sent complaint. DHS facilities send OMC a subset of the 837I and are determining if their information systems have the data to populate a compliant 837I. A clearinghouse will be necessary to format the transaction and DHS staff are investigating whether this is within the scope of existing contracts. DHS will continue to process transactions in pre-HIPAA format.
	Health Care Encounter (837) Outbound	Translator will be acquired to handle this transaction; Vendor (HMS) will extract data from Data Warehouse and feed the translator to produce HIPAA compliant transaction								HMS expects to be ready for Claredi testing 10/7/03 contingent on receipt of X.12 software and training. Purchase Order for the X.12 is expected to be faxed to the vendor by August 22, 2003. LA Care, the trading partner for this transaction, will be ready for 837 Professional testing during the first week of September and for 837 Institutional testing shortly thereafter. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
	Remittance Advice (835) Outbound	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								HMS expects to be ready for Claredi testing 9/9/03. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
	Health Care Enrollment and Disenrollment (834)	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								OMC began testing the 834 transaction with Universal Care on April 7, 2003. Testing was successful; 834 testing will continue with other trading partners.
	Premium Payment Order/Remittance Advice (820)	The solution will require either a clearinghouse or the use of an X.12 translator.								The necessity of being able to receive an X.12 820 transaction appears settled and the need to be able to generate an outbound 820 is being investigated. OMS is also confirming the State's readiness for implementing this transaction by October 16. The LA County Treasurer and Tax Collector (TTC) and the CAPS system are the recipients of the data from the inbound 820, so there is the potential to impact their operations and the CAPS system. Approaches that minimize the impact on the TTC are preferred. A PO for translator software that could be part of the solution is expected to be faxed to the vendor by August 22, 2003. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
	Eligibility Inquiry & Response (270/271)	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								HMS completed testing with Claredi on 8/14/03

Risk of Non-Compliance

LOW

MODERATE

HIGH

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	Health Care Claim Status Summary (276/277)	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								HMS expects to be ready for Claredi testing 9/9/03
	Health Care Service Review (278)	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								HMS expects to be ready for Claredi testing 10/14/03. DHS will continue to process transactions in pre-HIPAA format.
	NCPDP	Outsource to Pharmacy Benefit Management Contractor								Contractor (PCN) responsible for HIPAA Compliance of NCPDP transactions.

Risk of Non-Compliance

LOW

MODERATE

HIGH

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DHS California Childrens Services	Health Care Claim (837) Outbound	In-house development of 837 transaction output								CCS has developed HIPAA compliant output from ACMS. CCS began testing their 837 outbound with EDS and a few errors were identified that EDS is currently attempting to resolve. Tentative date for EDS to begin accepting production HIPAA 837 TCS files is 09/23/03. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
	Health Care Claim (837) Inbound	Paper								No change to existing process (i.e., providers submit paper claims; CCS staff enters claim information into ACMS). However, CCS plans to accept electronic claims in HIPAA compliant format for providers who may decide to do so (design and code are complete; they would have to decide what to pick up from the file).
	Remittance Advice (835)	Vendor (EDS) supplied via website								Per EDS, the Remittance Advice will be posted on their Internet web site by October 1, 2003 and will be accessed via Userid and Password.
	NCPDP	Paper								No change to existing process.
DMH	Health Care Claim (837)	Integrated System - Wrapper of MHMIS								State assessment process has started, and State has purchased and installed translation software. State plan is to conduct compliant 837 transactions by October 2003. However, testing has not yet started. DMH testing will commence as planned 08/22/03, and State testing 09/08/03. However, there is a risk that State testing may be delayed or State readiness restricted.
	Health Care Enrollment and Disenrollment (834)	Integrated System - Wrapper of MHMIS								State Medi-Cal will not support compliant enrollment transactions this year. The Integrated System (IS) under development for DMH by Sierra Systems Group will process compliant 834 transactions with local trading partners. The complexity of managing compliant local data and non-compliant State data will introduce risks of non-compliance in production stages. DMH will continue to process transactions in pre-HIPAA format.
	Remittance Advice (835)	Integrated System - Wrapper of MHMIS								State assessment process has started, and State has purchased and installed translation software. State plan is to conduct compliant 835 transactions by November 2003. However, testing has not yet started. There is a risk that State readiness will affect the County claiming process. DMH and other California Counties are managing the risks that State claim coding restrictions may adversely affect revenue. DMH will continue to process transactions in pre-HIPAA format.
	Eligibility Inquiry & Response (270/271)	Integrated System - Wrapper of MHMIS								State Medi-Cal will not support compliant eligibility transactions this year. IS has been modified to process compliant 270/271 for local trading partners and convert to non-compliant form for State transactions. DMH is managing for the risk that the State may experience some difficulty in providing necessary eligibility data to Counties. DMH will continue to process transactions in pre-HIPAA format.

Risk of Non-Compliance

LOW

MODERATE

HIGH

Summary HIPAA Transactions and Code Sets Status

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	Authorization (278)	Integrated System - Wrapper of MHMIS								State Medi-Cal will not support compliant authorization transactions this year. IS will process compliant authorization transactions for trading partners who can use them. However, testing for the DMH business processes that require use of the authorization transaction will not start until 10/31/03. DMH will continue to process transactions in pre-HIPAA format.
	Health Care Claim Status Summary (276/277)	Integrated System - Wrapper of MHMIS								State Medi-Cal will not support compliant status reporting transactions this year. IS will process compliant status transactions for trading partners who can use them. The complexity of managing compliant local data and non-compliant State data will introduce risks of non-compliance in production stages. DMH will continue to process transactions in pre-HIPAA format.
	NCPDP	Integrated System - Wrapper of MHMIS								Retail pharmacies are prepared to conduct the necessary transactions with DMH. State and retail pharmacies are already HIPAA-compliant.

Risk of Non-Compliance

LOW

MODERATE

HIGH